



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

KIRK T. STEUDLE  
DIRECTOR

March 23, 2010

The Honorable Lee Gonzales, Chair  
House Appropriations Subcommittee  
on Transportation  
Michigan House of Representatives  
P.O. Box 30014  
Lansing, Michigan 48909

Dear Representative Gonzales:

In order to aid you in deliberating the proposed amendments to the Michigan Department of Transportation's (MDOT's) fiscal year (FY) 2011 Appropriations Bill, we would like to take this opportunity to provide you with additional information.

**Disadvantaged Business Enterprise (DBE)**

- The proposed DBE provision is a violation of federal regulations. The DBE program is a federal program that is required as a condition of receiving federal aid. Federal regulations govern how companies enter and exit from the program.

**Contractor Prequalification Rating**

- MDOT's current practice is to allow the contractor to go through the administrative appeal process before implementing a sanction. The proposed prequalification provision would preclude taking away a contractor's prequalification if MDOT deemed immediate action was necessary due to a health or safety risk. MDOT would want to retain this flexibility to protect the public.

**Apply Pay Raise Savings to State Trunk Line Fund**

- This is a state-wide issue and should not be handled on a department-by-department basis.
- The amount to be transferred in the amendment is for all department employees and overstates the savings from non-exclusively represented employees wage concessions.
- The Senate has failed to pass a measure to stop the pay raise for union employees; therefore, the increase is necessary to fund those increases.
- MDOT needs a comprehensive solution to its funding shortfall.

**Sell King Air Aircraft for State Aeronautics Fund**

- This aircraft is used for Michigan State Police (MSP) public safety operations and emergency responses. In 2005, MSP sold all of its planes as part of a state-wide consolidation of aviation assets.

- This aircraft is part of the State of Michigan's contingency plan to transport medical supplies throughout state in case of pandemic.
- Air travel can save thousands of hours of lost production time that would otherwise be spent in cars. Long travel days increase the need for lodging and meals. This aircraft can provide cost savings when transporting eight to ten employees long distances, compared to costs for overnight travel.
- The aircraft market is flooded with used planes with prices at all time lows. This is a great time to be a buyer, not a seller.
- MDOT recovers the direct operating costs, insurance, and overhead of the aircraft when used by any department or agency.
- Approximately five years ago, MDOT downsized its fleet by 25 percent.

**Divert \$20 million from Comprehensive Transportation Fund (CTF) to State Trunkline Road and Bridge Program**

- MDOT supports the FY 2011 Executive Recommendation, which does not include diverting revenue from another program.
- This is a one-time infusion of revenue and does not solve MDOT's long-term funding shortfall.
- The amendment would put the CTF budget out of balance since other CTF line items were not reduced. Appropriated spending authority within the CTF would exceed available revenue.

**No Spending on Detroit River International Crossing Project (DRIC)**

- MDOT is working on deliverables required by the Legislature in the current fiscal year budget that are due on May 1. The department has already submitted one of the deliverables, which is a traffic study indicating the need for a second crossing and is supported by traffic projections. This amendment would limit legislative options without the opportunity to evaluate the deliverables required by the current boilerplate.
- If this project is canceled, over \$29 million in federal funds will have to be returned to the Federal Highway Administration.

**Require 20 Percent Farebox Coverage for Transit**

- The bill attempts to amend Act 51 of 1951, State Trunk Line Highway System (PA 51) funding formulas through boilerplate. Amending PA 51 by reference via an appropriation bill is unenforceable.
- The amendment would especially impact rural transit, where it is more difficult to hit the 20 percent target.
- The amendment fails to consider the percentage of revenue covered by local millages, which allows for lower fares in some communities.

The Honorable Lee Gonzales

Page 3

March 23, 2010

**Divert \$75 million from 21st Century Jobs Fund to State Trunk Line Fund**

- MDOT supports the FY 2011 Executive Recommendation, which does not include diverting revenue from another program.
- This is a one-time infusion of revenue and does not solve MDOT's long-term funding shortfall.

**Divert \$9 million from Michigan Health Initiative to State Trunk Line Fund**

- MDOT supports the FY 2011 Executive Recommendation, which does not include diverting revenue from another program.
- This is a one-time infusion of revenue and does not solve MDOT's long-term funding shortfall.

If you have any questions, please contact either me or Myron Frierson, Bureau Director, Finance and Administration, at (517) 373-2117.

Sincerely,



Kirk T. Steudle  
Director

cc: House Appropriations Subcommittee  
on Transportation

